

Members

Rep. Markt Lytle, Chairperson
Rep. Gary Cook
Rep. James Buck
Rep. William Friend
Sen. Thomas Weatherwax
Sen. James Merritt
Sen. Katie Wolf
Sen. Samuel Smith, Jr.
Mayor Norm Blankenship
Mayor David Butterfield
Richard P. Jones
Karen Large
Mayor Terry Mooney
James R. Murphy
Patricia French
Mayor William Goffinet

LSA Staff:

Ross Hooten, Attorney for the Commission
Robert Sigalow, Fiscal Analyst for the Commission

Authority: P.L. 242-1997



LOCAL GOVERNMENT FINANCE STUDY COMMISSION

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 232-9588 Fax: (317) 232-2554

MEETING MINUTES¹

Meeting Date: October 11, 2000
Meeting Time: 10:30 A.M.
Meeting Place: State House, 200 W. Washington St., 431
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Rep. Markt Lytle, Chairperson; Rep. James Buck; Rep. William Friend; Sen. Thomas Weatherwax; Sen. James Merritt; Mayor Norm Blankenship; Mayor David Butterfield; Richard P. Jones; Karen Large; James R. Murphy.

Members Absent: Rep. Gary Cook; Sen. Katie Wolf; Sen. Samuel Smith, Jr.; Mayor Terry Mooney; Patricia French; Mayor William Goffinet.

Representative Lytle called the meeting to order at 10:45 a.m. and asked the members of the Commission to introduce themselves. Then Rep. Lytle recognized Tonya Galbraith, Indiana Association of Cities and Towns (IACT), for the purpose of introducing the joint IACT and Association of Indiana Counties (AIC) presentation advocating local fiscal home rule.

Ms. Galbraith began the presentation by describing various materials distributed to the

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Commission members. The materials included a report of the recent distributions of miscellaneous revenue, a letter from the Hon. Allan Kauffman, Mayor of the City of Goshen, a chart depicting miscellaneous revenue distributions in Goshen, and recent media commentary advocating greater local fiscal flexibility.

Ms. Galbraith then introduced the Hon. David Heath, Mayor of the City of Lafayette. Mayor Heath's testimony began with the argument that the availability of local decision makers increases public involvement in the making of fiscal policy. Mayor Heath recalled the legislative history of the concept following its introduction in the 1997 session of the General Assembly. Mayor Heath urged the General Assembly to revisit the concept and pass the necessary legislation.

Mayor Heath then related to the Commission Lafayette's experience convincing the General Assembly to enact legislation allowing the city to use economic development income tax revenue to clean up an environmentally hazardous "superfund" site. Mayor Heath testified that local fiscal home rule would have saved the city the time and expense of the lobbying effort as well as attorney fees and court costs related to the judicial challenges to the legislation.

Mayor Heath described the options that would be available to the city and Tippecanoe county if a local sales tax was available under local fiscal home rule. Finally, Mayor Heath reminded the Commission that the concept of fiscal home rule does not limit local governments to funding just property tax relief or just capital projects.

Representative Lytle then opened the floor to the Commission members for questions of Mayor Heath. Rep. Buck asked whether IACT and AIC had considered making property tax relief a mandatory component of local fiscal home rule. Mayor Heath responded that they had not as the concept that the organizations are advocating is to leave that decision to the appropriate local officials.

Representative Friend asked whether the concept creates collection and distribution issues. Mayor Heath turned to Thomas Downs of Ice Miller who represents both IACT and AIC. Mr. Downs noted that the concept creates additional administrative work where there is already diversity in the form of varied local income, food and beverage, and innkeeper's taxes.

Senator Weatherwax asked about the preferred nature of property taxes to pay bonds on capital projects. Mr. Downs responded that local fiscal home rule would allow local units to mix and match. The units would be able to pay bonds with other taxes while backing them up with property taxes.

Representative Lytle then recognized David Bottorff (AIC) to resume the joint presentation. Mr. Bottorff distributed a table of motor vehicle excise tax distributions and remarked that smaller than anticipated increases in the motor vehicle excise tax distribution puts pressure on local units to raise property taxes. Mr. Bottorff also reminded the members of the Commission to be mindful of the local share of tax revenues when contemplating tax reductions. Mr. Bottorff then introduced Greg Buemer, Randolph County Commissioner and President of the AIC, to testify in support of local fiscal home rule.

Mr. Buemer stated that in taxation one size does not fit all and noted that under the current system local communities cannot develop tax policy that takes advantage of their unique qualities. Mr. Buemer then described the efforts of a couple of communities that sought changes in their statutorily authorized local taxes in the past session of the General Assembly. Ultimately, the proposed changes failed to survive the legislative process. Mr.

Beumer noted that special legislation is always necessary under these circumstances and often requires two or three attempts to get the legislation through the General Assembly.

Mr. Beumer stated that the flexibility of local fiscal home rule would allow communities to act more quickly. Mr. Beumer testified that it would be a service to both state and local governments to allow tax policy to be implemented without special legislation.

Following Mr. Beumer's testimony, Representative Lytle opened the floor to questions and asked about the position of businesses with multiple locations. In response, Tom Morton (IACT) and Mr. Downs cited the following items that already affect businesses with multiple locations: property taxes, county adjusted gross income taxes, county option income taxes, innkeeper's taxes, and property tax abatement policies.

The formal portion of the IACT/AIC presentation concluded with the testimony of Gary Malone, H.J. Umbaugh & Associates, Certified Public Accountants. Mr. Malone described a series of "what ifs" detailing what a number of cities and counties could accomplish with the freedom to enact a local food and beverage tax, a local sales tax, or a local income tax. Mr. Malone reviewed the possible use of the new revenues for property tax relief, new or expanded programs, or capital asset acquisition.

Following Mr. Malone's testimony, Commission members discussed various aspects of the presentation with the witnesses. Senator Weatherwax suggested that the associations tie their proposal to the concept of local option inventory tax relief.

Following the discussion of the IACT/AIC presentation, Representative Lytle directed staff attorney Ross Hooten to describe the preliminary drafts prepared in response to the discussion of township fire protection at the Commission's September 13 meeting. Mr. Hooten reported that PD 3422 would authorize townships and other entities to impose false alarm fees and that PD 3424 would allow townships to seek an excessive levy rather than resorting to short term borrowing to fund fire protection. Representative Lytle asked the Commission members to review the drafts and be prepared to discuss them at the next Commission meeting. Representative Lytle then adjourned the meeting at 11:55 a.m.